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The Role of Institutions in the Economic Sustainability of Global Value Chains: A Transcendental Phenomenological Analysis of Pakistani Apparel Industry

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ABSTRACT

The geographical spread of the global value chains (GVC) not only makes them complex structures but also raises the challenges of governance for them. Gereffi and Lee (2014) argued that such governance issues may arise from either the vertical (within the structure of the GVC) or the horizontal (from outside) governance of a GVC; and at times, bring the sustainability of GVCs at stake. This study explores the phenomenon in the domain of the horizontal governance, outlining the role of the local institutions and the effects they cast upon the sustainability of the GVCs. This study incorporates the findings derived from transcendental phenomenological analysis (TPA) of the in-depth interviews of twenty-three export managers, working in the apparel firms producing for the GVCs on a long-term basis. The study delivers an explanation of the phenomenon and highlights the role played by the government institutions in it. The essence of this study elaborates the mechanisms of cooperation and coordination between the government institutions and the industry, and the difference in the expected and actual performance of the institutions. It highlights that the government institutions in Pakistan, having rigid culture, are currently not fulfilling the requirements of the apparel production units linked with GVCs; and the behavior of government employees adds to it. The implications emerging from this study, directions for future research and limitations have also been discussed. Besides, the application of NVIVO software to perform the qualitative data analysis (QDA) while performing the TPA adds to the methodological innovation of this study.

Keywords

Apparel, Global Value Chains, Institutions, Moustakas, Pakistan

JEL Classification G20, Q56,

1. Introduction

The pressure of competitiveness has pushed the production in fragments beyond national boundaries resulting in the emergence of the global value chains. Global value chains (GVCs) are complex structures that offer challenges to the business as well as the

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institutions. Literature published on GVCs reflects that the major challenges offered by them include governance, up-grading, and sustainability (Kaplinsky & Morris, 2000). This study focuses on the sustainability of the global value chains, especially about the local institutions, as they are prone to play an influential role in this regard (Lee, Gereffi, & Beauvais, 2012; Nadvi & Halder, 2005; Rodrik, 2018).

The motivation for this study comes from a real-world incidence when a famous global apparel brand banned Pakistan for apparel sourcing in 2013 (Barrie, 2014; Rana, 2013; Reporter, 2014). The action of the global apparel brand was a consequence of the collapse of Rana Plaza in Dhaka, Bangladesh on April 24, 2013 (Jacobs & Singhal, 2017; Reinecke & Donaghey, 2015; Siddiqui & Uddin, 2016; Sinkovics, Hoque, & Sinkovics, 2016). Pakistani apparel industry anticipated an increase in their business as the brands starting leaving Bangladesh (Davis, 2013). At the same time, the previously mentioned brand demanded the governments of Bangladesh and Pakistan for improvement in the implementation of human rights conventions outlined by the International Labor Organization (ILO) through their local labour policy. In Pakistan, an association of the industry directly connected with global apparel trade wrote a letter to the concerned government department and asked them to treat the matter on a serious note. The correspondence stopped with the unfortunate demise of the leader of the respective association and the delay in action against the brand's demand resulted in the blacklisting of the country, which resulted in an initial loss of the global client who used to place annual orders between US\$150-200 million (Barrie, 2014; Reporter, 2014). The industry representatives blamed the government, while the government kept its silence. The industrial units, once part of the global value chain, went into existential crisis resulting in local socio-economic chaos. The questions raised by this phenomenon had no clear explanation in the published literature, therefore, required for an in-depth exploration of the phenomena. The primary research questions outline by the study are:

What role government institutions play in the economic sustainability of global value chains? And how?

This study uses the agency theory to understand the type and nature of the relationship, interactions, and understanding between the stakeholders of the phenomena, i.e. the government institutions and the industry. The agency theory explains the agency relationships, their issues and solutions (Arrow, 1971; Panda & Leepsa, 2017; Ross, 1973; Spence & Zeckhauser, 1971). The agency relationships can be stated as an agreement between two parties stating one party – the agent – acting or making decisions on the behalf of the other – the principal (Jensen & Meckling, 1976; Luhman & Cuniffe, 2012; Shapiro, 2005). The literature on agency theory highlights two main approaches to it: the positivist and the interpretivist. This research uses the interpretivist agency theory derived from the work of Ross (1973), Holmström (1979), and Shavell (1979). As evident from the literature,

the interpretive agency theory has largely been used for studying the conflicts in the reallife situations, therefore, is popular among the researchers in the area of organizational and management studies (Eisenhardt, 1989). The interpretive agency theory is a natural fit for this study as it aims at exploring the conflict among the industry (the apparel production units engaged with global value chains) and the government institutions engaged in facilitating the local firms for the global trade. On the theoretical praxis, the industry has been considered as the principal as it is running its business cycle and contributing to the national revenue through the payment of taxes and levies. On the other hand, the government institutions have been considered as the agents as they are dependent upon the revenue collected from the industry in terms of taxes and levies.

2. Procedures: Research design, methodology and data

The researchers in the area of the global value chain have shown a recent inclination towards using phenomenology, for its strengths to explain the real-world complexities. For example, see the work of Eller (2017), and Cano-Kollmann, Cantwell, Hannigan, Mudambi, and Song (2016). Phenomenology is a qualitative research approach in which the researcher as a human makes sense of the world around him (Cibangu & Hepworth, 2016; Saunders, Lewis, & Thornhill, 2009). It requires the researcher to understand the world with the point of view of those having lived experience of the phenomena or the "verstehen" (Creswell, 2014; Hennink, Hutter, & Bailey, 2014; Moran, 2002). The literature on phenomenology refers to its certain types; and suggests the hermeneutic phenomenology and transcendental phenomenology as its two major types (Laverty, 2003; Moerer-Urdahl & Creswell, 2008). This constructivist-interpretivist study applies the transcendental phenomenology as propagated by Husserl (2012) for its strength of acquiring and collecting data that explicates the essence of human experience (Moerer-Urdahl & Creswell, 2008; Moustakas, 1994). Figure 1 exhibits the four steps of the transcendental phenomenological analysis as suggested by Moustakas (1994) and Adu (2015):

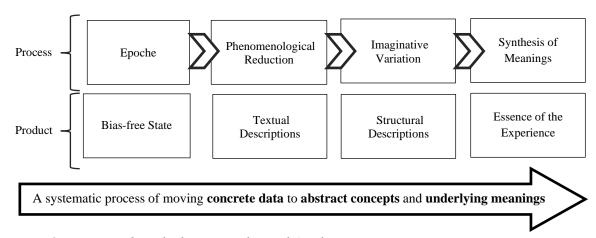


Figure 1: Transcendental Phenomenological Analysis Process

Source: Adu (2015), pp: 15

This study explains the role of institutions being played in the sustainability of the global value chains by incorporating the lived experience of the export managers, working in those active apparel production units in Lahore, Pakistan, engaged with global brands. The purposive sampling method was used to recruit 24 export managers having experience ranging from 10 to 25 years. The average experience of the sample is 16.91 years, which adds to the reliability of the qualitative data collected in the shape of their interviews. The interview guidelines were developed based on the agency theory with a focus on the sub-dimensions of "meaning" as exhibited in Figure 2 below:

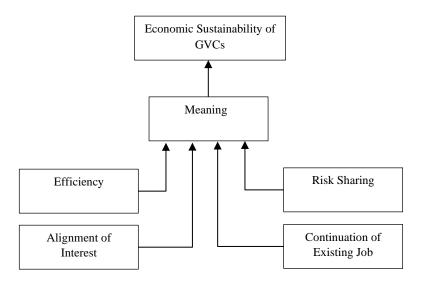


Figure 2: Conceptual map of the sub-themes (generally focused in the interview guidelines)

During this study, the researcher observed that the saturation was achieved as he conducted the 20th interview; however, three more interviews were conducted for further assurance. The interview guidelines were generally referred to as a general plan for the interview, to initiate the discussion and as an approximate list to keep track that all relevant themes mentioned in it are touched in the discussion. The participants were interrupted through cross-questions only when necessary as the objective was to get their free and deep expressions.

2.1 Step 1: The Epoché

The epoché, in denotative terms, is a Greek word means "suspension of judgment". Epoche, in TPA, refers to explicating those presumptions to bring the researcher in a biasfree state of mind so that he can accept whatever information related to the phenomena comes to him in its original form (Adu, 2015; Moerer-Urdahl & Creswell, 2008; Moustakas, 1994). Since the principal researcher, conducting this research, has prior experience of working on the projects which included the global value chain stakeholders, therefore, this step was conducted with special care. In this regard, the personal statement by the principal researcher himself is given below:

By clearing my mind through the epoche process, I recall my personal and professional experiences related to the industry, government institutions, global value chains, and their relationship. I remember my discussions with the seniors, colleagues and others, discussing the global value chains, industrial clusters, and Porter's thought. I recall my detailed discussions with the industry and institutional representatives, which were later compiled into the fact-finding reports. I also recall the discussions over global value chains, governance, and institutions with my university professors and PhD class fellows. I recall the process of rediscovering my concepts of global value chains, governance, institutions, and economic sustainability through extensive reading of the relevant literature and putting them in the praxis with the real-world phenomena. I recall the blunt criticism from the board members before whom I presented my research proposal, pushing me to unlearn and relearn the concepts again and again. This iterative learning process helped me to learn how to think logically and understand the complexity of the real world. As I moved towards receptiveness, I was able to see, listen, and feel the people, incidences, and things as they are, without framing them into my perspective or the belief-system.

After explicating the above thoughts through the reflective and iterative process, the researcher felt disconnected from the pre-conceptions and thoughts that could affect his receptiveness. Now, he was able to fully concentrate on listening and hearing the participants' experiences without filtering them through his process of thinking, feeling, and seeing.

2.2 Step 2: Phenomenological Reduction

The objective of the TPA is to provide a deep explanation of the phenomena from 'the point of view' of those who have experienced that phenomena (Moustakas, 1994). Since the participants of the study went through the same phenomena, therefore, the redundancy of statements is quite natural. The second step in TPA - phenomenological reduction - refers to the process of removing those repetitive and overlapping statements from the data so that the explanation of phenomena becomes rich and complete. This step helps the researcher to outline the textual descriptions (Adu, 2015). Moerer-Urdahl and Creswell (2008), in their study, have presented the textual descriptions as the list of significant statements. Whereas, Moustakas (1994) has stated this process as horizonalization. All interview transcripts were read multiple times and coded using NVIVO by the researcher. The horizonalization process involved the identification of the significant statements about the experiences of the participants from the transcripts. The significant statements and the themes emerged therefrom acted as the basis of the textual descriptions explained in the following subheading.

2.2.1 Textual Descriptions: The Role of Institutions

The textual descriptions, according to Moustakas (1994) and Moerer-Urdahl and Creswell (2008), are the outcomes of the phenomenological reduction which stand for "what" was experienced, as described by the researcher.

a. Coordination between the industry and the government institutions

The coordination between the industry and the government institutions is very important for the sustainability of the global value chains expressed the industry representatives. The industry representatives doubted over the performance of the government institutions under their primary goals or purpose of the constitution. They also emphasized on increasing the coordination, especially for raising the awareness of the services, especially the facilitation schemes, which the relevant government institutions offer to the industry. The government institutions and the industry have to work in close coordination with each other for sustainable results.

b. Institutional efficacy

The institutions are not much effective, as perceived the industry representatives. They were of the idea that the institutional policies significantly affect the business. According to them, these policies benefit the large-scale business only and their benefits do not reach to the grassroots level. They also expressed that this limited utility of the government institutions also raises from the complex institutional setup where the overlapping institutional roles create delusions.

The government institutions operate in a rigid policy framework and tight procedural control. This rigidity causes a delay in the provision of institutional services, incurring losses, to the business; especially in the realm of market dynamics. The institutional policies do not support the small and medium scale business which is an astonishing fact directly questioning the primary objectives for the constitution of the institutions. The existing institutional policy setup affects the sustainability of the global value chains, as does not support the local business to maintain long-term business relations with their foreign counterparts.

c. Competitiveness and government institutions

The government plays a vital role in the competitiveness of the business in the global market. The government institutions also have limitations since they are the systems created by human and operated by a human. The industry representatives expressed their serious concerns over the low quality of services from the government institutions as it adds to the challenges of competitiveness to them. The industry representatives believe that ignoring the important elements of competitiveness may result in the eviction of an industry.

d. Global value chains and Pakistani government institutions

Apparel manufacturing units are primarily the family-owned concerns in Pakistan, expressed the industry representatives. According to them, they look forward towards the government to address human resource development at the national scale to enhance the competitiveness of the apparel industry. Upgrading the human resource is very important to sustain the business with the global value chains, as it contributes to the national competitiveness. The local industry and the government has been vigilant in aligning the national industry with the global markets, as the global value chains are sensitive to the environmental changes, therefore, they continuously re-stratify the value chains to remain competitive. On the other hand, the government institutions in Pakistan are rigid and have a uniform culture across the country. They have different thinking pattern as they strictly operate within their institutional scope and rules. Such characteristics of the government institutions and their employees affect the business in different ways.

e. Weaknesses of the government institutions

The industry representatives explained the weaknesses of the government institutions. According to them, government institutions do not consider environmental dynamics and have weak control over the local market dynamics. Their employees do not have specialization in their respective jobs. The government institutions do not help the industry to prepare themselves for global trade, as the industry expects them to address the problems in the global trade, especially those related to the global value chains, holistically. According

to them, the government is not setting the right direction to earn competitiveness in the global markets. Instead, the government policies are directly bringing negative effects to the cost of doing business and ease of doing business in Pakistan. The complex government procedures constrain the industry, instead of facilitating it.

2.3 Step 3: Imaginative Variations

Imaginative variations are the third step in applying the TPA to the qualitative data. This step refers to deleting the statements which may be non-repetitive or non-overlapping but are irrelevant to the study (Moustakas, 1994). Moerer-Urdahl and Creswell (2008), in their study, have referred to this step as meaning units or themes. Adu (2015) advocates using the qualitative data analysis (QDA) software – NVIVO – and use the cluster analysis technique in it to perform this step. A few critics may discourage the application of software to perform analysis at this step, they may be right if their data can be managed otherwise. Since this study incorporates 23 in-depth interviews, the data is enough to leave the chances of human errors, if handled without software. Therefore, this study performed this step using the NVIVO to enhance its reliability of the analysis.

The essence of imaginative variations is to identify and bundle up those statements, which provide a meaningful description of the phenomena or a significant part of it. According to Adu (2015), the researcher has to gather the logically relevant statements under the themes, therefore, requires the imagination of the researcher to test the variation in the meanings they provide when are arranged in different assortments. The researcher has to arrange them in a way that makes sense or explanation of the phenomena. This step was performed by loading the data spreadsheet to NVIVO. The data, already gone through phenomenological reduction, was analyzed using the NVIVO and was coded. In the next step, the cluster analysis was performed on the codes to identify and bundle up the relevant codes. The clusters suggested by the software were ignored, where there was no or weak logical connectivity among the grouped statements, and the statements were presented in such an assortment that gives a better explanation of the phenomena.

2.3.1 Structural Descriptions

The structural descriptions; as guided by Moustakas (1994), Moerer-Urdahl and Creswell (2008), and Adu (2015) are the outcomes of the imaginative variations which explains that "how" it was experienced. Following structural descriptions evolved as an outcome of the imaginative variation:

The coordination between the industry and the government institutions is the area, which plays a pivotal role in the phenomena of economic sustainability of global value chains. The institutional efficiency and effectiveness suffer when the coordination between both actors of the phenomena reduces. It was evident from the expressions of the industry

representatives that the industry cannot flourish without the support of the government institutions. When the government representatives design the policy for industry, they do not have sufficient knowledge, experience and exposure of the industry. They, therefore, need the input from the experts from industry who may not be the true representative of the industry, especially the small and medium enterprises.

Competitiveness seems to be, though not completely but, ignored. The lack of coordination here leads to the gap between government policies and actions, the market demand, and the industry's requirements. The government has its vision and plans and its own pace of implementing those plans. On the other hand, the market, especially the global market, operates at its own pace. The industry representatives, as they are the actors in the market, therefore, have a different view of the gaps towards competitiveness than government representatives. It does not overshadow the importance or relevance of the government but explains that the government institutions at times may play a less effective role instead of leading the industry towards competitiveness.

Global value chains provide promising opportunities to the Pakistani industry, but Pakistani government institutions cannot understand and respond to their needs. As it was evident from the discussion of the industry representatives, they are unable to operate at their full capacity because of the scarcity of orders. It is not as if the global apparel demand is diminishing, but the government policies are not attractive for the global brands to enter into long-term production contracts with Pakistani production houses, therefore they not only have to operate below their installed capacity but also have to bear the cost of attracting new customer more frequently. The government institutions do not understand the importance and the needs of the global value chains, nor their convention, slow and rigid systems sufficiently facilitate them.

2.4 Step 4: Synthesis of Meanings

Synthesis of meanings is the final step of the transcendental phenomenological analysis (Adu, 2015). This step comprises of synthesizing the textual description (the "what" part) and the structural descriptions (the "how" part), and express them as the essence of the experience. This essence of the experience can, therefore, be stated as a comprehensive description of the phenomena 'from the point of view' of those who have experienced it (Moustakas, 1994). Moerer-Urdahl and Creswell (2008) have described this step as "intuitive integration" of textual (what) and structure (how) descriptions. According to them, these descriptions capture the meaning ascribed to the experience or the "essence".

2.4.1 The Essence of the Experience

The phenomena of economic sustainability of global value chains are critical to the existence of the stakeholders of the global value chains. Each stakeholder has different stakes and risks involved in it, which makes this phenomenon important for them. This finding also acknowledges the arguments of Khan, Lew, and Akhtar (2016). The production units hired by the brands have a lot of pressure on them as they have to manage with their customer, their labour, and the government institutions (Gereffi & Lee, 2014; Lund-Thomsen, Nadvi, Chan, Khara, & Xue, 2012). If they fail to do so, their customer already has the option to shift its production to some other unit. The production units or the industry seeks high-quality support from the government institutions in return of the tax they pay and the legal requirements they fulfil, to help them in sustaining themselves as part of the GVCs. Since the industry flourishes with the support of the government institutions; therefore, cooperation and coordination between them are very critical. The industrial policy plays a vital role in development and up-grading of a certain industry (Khan et al., 2016; Khan, Mo Yamin, Lew, & Sinkovics, 2015), but the participants of this study explained that it is not their case as the policy related to the apparel industry seems not been based upon the ground realities. On the other hand, the government organizations comprise of highly qualified and dignified civil servants. The coordination and cooperation with them become very tricky when the government institutions, being rigidly procedural, are unable to match their pace with the industrial demands. Coinciding with the argument of Yousaf, Ihsan, and Ellahi (2016), it was found that the lack of coordination and cooperation, added with the lower than expected efficacy of the government institutions affects the competitiveness, conduciveness and attractiveness of a country for the global buyers for long-term production agreements.

3 Implications

This transcendental phenomenological study explored the role of government institutions in the phenomena of economic sustainability of global value chains, which is a unique practice in the relevant literature. This study incorporated the qualitative data analysis (QDA) software – NVIVO – to perform the phenomenological reduction, which gives it an edge over the conventionally published phenomenological studies.

The essence of this study highlights the importance of government institutions in the economic sustainability of the global value chains, especially in the context of Pakistan. The transcendental phenomenological analysis (TPA) performed over the qualitative data gathered through interviewing 23 export managers from the apparel industry provides a good description of how the phenomenon takes shape in reality: what role the government institutions play in the economic sustainability of global value chains? And how? The essence of the study highlights the policy level implications, which must address the ways

to increase the cooperation between the industry and the government institutions. The policy must ensure their cooperation, information exchange, agreement on economic objectives, and updated knowledge of market dynamics.

At an operational level, the industry and the government institutions can enhance their cooperation with each other by establishing the objective-based common forums, think tanks, and conducting series of events where both can better know and understand each other.

4 Directions for future research

This study guides to test the phenomenon of economic sustainability of the global value chains through other perspectives, thereby applying different methodologies and methods to bring more rigour in the knowledge of phenomena. Besides, the researchers interested in this area can replicate this research to explore the role of other stakeholders of the global value chains, across the value chains other than apparel, or across different geographical locations. Further, studies comparing the roles and contributions of different stakeholders in this phenomenon can also be conducted to expand the body of knowledge in this area.

5 Limitations of the study: Authors' reflection

Transcendental phenomenological analysis (TPA) is a complex qualitative method in which the lived experience of the participants of a phenomenon are gathered, transformed into text, and analyzed through the four steps of analysis. Each of these steps has its complexity and challenges during the execution, especially managing the thin margins of subjectivity.

Since this study has been extracted from a PhD dissertation that has a bigger scope, therefore, it explains the phenomena from the perspective of industry representatives only.

Author's Note:

I hereby declare that the given paper has been extracted from my PhD Thesis, and/or is an extension of my previous research work.

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